



**OREGON
STATE
TREASURY**

State of Oregon

Office of the State Treasurer

Telephone Only

OREGON SHORT TERM FUND

April 22, 2021

Meeting Minutes

Members Present: Douglas Goe, Laurie Steele, Michael Kaplan, Deanne Woodring, Sharon Wojda

Staff Present: Perrin Lim, Jeremy Knowles, Geoff Nolan, Cora Parker, Rex Kim, Andy Coutu, John Lutkehaus, Lisa Pettinati, Edie Kessel, Scott Robertson, Bryan Gonzalez, Deena Bothello

Other Attendees Present: PFM: Chris Trump, Lauren Brant
City of Happy Valley: Travis Warneke and Terryl Aguon
Douglas County: Lisa Miller, Deputy Treasurer

The April 22, 2021 OSTF meeting was called to order at 10:01am by Douglas Goe, OSTF Chair.

I. Opening Remarks

Douglas Goe welcomed all to the Oregon Short Term Fund Board (the "Board") meeting and roll was taken.

II. Review and Approval of Minutes

MOTION: Mr. Goe asked for a motion to approve the January 21, 2021 OSTF meeting minutes. The Board approved the minutes unanimously.

III. LGIP/OSTF Investment Policy Review

City of Happy Valley

PRESENTED BY Jeremy Knowles, Investment Analyst Fixed Income Team. Jeremy Knowles provided updates for the City of Happy Valley's investment policies since their 2019 policy. City of Happy Valley representatives Travis Warneke, Finance Director and Terryl Aguon, Finance Analyst expressed interest in the Oregon Intermediate Local Government Investment Fund and would like to update their policy to include that. Jeremy Knowles reviewed the Matrix comparison for investment policy, US Agency Obligations recommendations to change the per agency maximum from 50% to 33% and a recommendation to reduce callable percentage allocation from 35% (maximum allowed) to a lower percentage. Other notes are possible recommendations to include verbiage about adding an investment committee in the future if it might be desired.

COMMENTS FROM THE BOARD

- Sharon Wojda noted Oregon State Treasury staff recommended including the sample policy language on proceeds from debt issuance and agreed with the recommendation. Adding this



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section will help support them if they issue long term debt and have bond proceeds in the future. Mr. Goe agreed that the provision would add flexibility in their policy in case the need arises in the future.

- Laurie Steele recommended reducing the maximum percentage of callable securities from 40% to a more reasonable 30% - 35%.
- Deanne Woodring recommends that per agency maximum should be 35%. Note for the Board regarding delivery vs. payment, the banks are using a contracted settlement, so she is requesting the OST staff help evaluate the contracted settlement terminology. Page 7 of policy, 144A restriction that is in statute, recommends corporate bonds should be restricted as well. Page 9 of policy, recommend changing Corporate Debt (Total) from 15% to 25% to not go out of compliance if commercial paper and bonds are at their respective maximums of 15% and 10%. Also, since they are going to include investment in Oregon Local Government Investment Fund and that fund's maximum maturity is 2.5 years it should never go over the investment policy maximum.
- Mr. Goe noted typo on page 11 of policy under Roman Numeral X Investment Reserve Capital Funds in the Statutory Reference, should be a period instead of hyphen between 294 and 135.

Douglas County

PRESENTED BY Jeremy Knowles, Investment Analyst Fixed Income Team. Jeremy Knowles provided updates for policy changes for Douglas County's investment policy since their 2019 policy. OST staff recommends changing their maximum callables set at 35% to a lower percentage, increase their minimum rating for municipal debt and corporate debt as well, change repurchase agreements maximum total down to 5% from 10%, change municipal debt maximum holdings from 25% to 10%, and removing newly added MBS investments from their policy.

Lisa Miller, Deputy Treasurer of Douglas County, said that the MBS investments were included as a possible option for alternative investments to seek better returns in the current low rate market.

COMMENTS FROM THE BOARD

- Deanne Woodring said Ginnie Mae investments should be fine but if any other MBS are being considered then they should be specifically called out and added to the investment table in a Mortgage Backed Securities section. Recommend in the page 13 table under Corporate Indebtedness that it should have breakouts for Corporate and Commercial Paper and include under ratings sections: A1, P1, F1. On page 14, recommends removing the second band of maturity constraints (13 to 24 months, 25 to 36 months, and 37 to 60 months) since the first band of maturities will likely be sufficient to address liquidity concerns and the natural flow of the portfolio might fall out of compliance with the more restrictive secondary tier.
- Sharon Wojda questioned why they reduced their minimum ratings. Laurie Steele notes the Sample Policy says AA still because the recent interpretation of the statute was amended to say AA minus

Lisa Miller appreciated the help she received from Jeremy Knowles and the OST staff with their policy changes. Mr. Goe thanked everyone for the great work on the investment policies today.



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IV. LGIP Participants and Operations Overview

PRESENTED BY Cora Parker: Cora Parker welcomed Chris Trump and our participation with PFM.

TOPICS

- Participant Breakdown
- Participant Survey

Chris Trump discussed Participant Breakdown: School Districts, Cities and Special Districts make up 80% of overall funds' assets. School Assets are up 3% quarter over quarter but overall percentages remained the same. Assets are up a billion dollars year over year, Counties are up \$188 million, Cities are up \$190 million and Special School Districts are up quarter over quarter \$243 million and School Districts are up approximately \$400 million. Assets continue to increase and at the end of the quarter were about \$10.3 billion. Net cash flows are up \$400 million in the first quarter. Participant Distribution: Schools \$3.4 billion and Special School Districts are \$2.6 billion. Increase in 34 accounts year over year. Transactional activity in the funds for first quarter is in line with the funds for last year. The number of transactions and dollar amount are down significantly in the first quarter relative to last quarter, attributed to the 4th quarter with tax revenues and transactions coming in. The dollar amount of transactions is up \$1.2 billion in the first quarter of this year relative to the same time last year. SLA Matrix slide referenced how they pass files to OST and the phone service, a short phone outage occurred prior to business hours. Currently in Phase 3 at PFM, this is the client experience and they are redesigning the client portal and hoping to have the website available Q4 of this year.

COMMENTS FROM THE BOARD

- Mr. Goe asked a question regarding participant distribution and if the 4th largest category is other special districts, he asked to describe whether housing agencies were included in this category?
 - Bryan Gonzalez said there are approximately 5 Housing Authorities and 74 total others. Working with PFM to have further breakouts on other categories. Will be able to assign many of the entities to existing categories that are listed and hopes to be ready for review by next meeting.
- Mr. Goe thanked everyone for the great presentation and looks forward to see the special districts participate and keep this updated.

V. OSTF Market Overview and Portfolio Update

PRESENTED BY Perrin Lim: Perrin Lim presented the OSTF Portfolio update.

- Degree of Stimulus Applied to Covid 19
- Inflation Shows Warning Signs & Need for Monitoring
- OSTF Portfolio Overview: OSTF NAV near \$27 billion
- Rates Comparison: 3/1/2021 the OSTF paid rate was revised to 0.60%
- Sector Allocation
- Floaters
- Coupon Type
- OSTF Dollars Invested by State Government and Local Government



VI. Closing Remarks/Other Items of Business

- Mr. Goe thanked the Perrin Lim for his insights and support for the local government policies and thanked Mr. Kim for the invitation to listen to the OIC meetings and welcomed other Board members to reach out to OST staff to get access to an upcoming call. Perrin Lim welcomes any topics that he can address in future presentations. Laurie Steele announced this is her last meeting and Brian Nova is hoping to join the OSTF Board in the future. She always appreciated her time on the Board and is happy she could be a part of it for as long as she could. Mr. Goe thanked Ms. Steele for her contribution over the years and wished her luck on future endeavors.

Mr. Goe adjourned the meeting at 11:11 AM.

Respectfully submitted,

Jeremy Knowles

Jeremy Knowles
Investment Analyst